

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017**

S

1

SENATE BILL 234

Short Title: SBA Pay/Needs-Based Pub. Sch. Capital Fund. (Public)

Sponsors: Senators Tillman, Brown, Hise (Primary Sponsors); Clark, Cook, Ford, Horner, McInnis, Rabin, and Smith-Ingram.

Referred to: Rules and Operations of the Senate

March 14, 2017

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE A PORTION OF LOTTERY REVENUES TO REFORM THE
COMPENSATION STRUCTURE FOR SCHOOL-BASED ADMINISTRATORS AND FOR
K-12 SCHOOL CONSTRUCTION BASED UPON COUNTY NEED AND ABILITY TO
PAY FOR SCHOOL CONSTRUCTION PROJECTS AND TO MAKE CHANGES TO
ADVERTISING COST LIMITATIONS IN THE NORTH CAROLINA EDUCATION
LOTTERY.

The General Assembly of North Carolina enacts:

PART I. PRINCIPAL SALARIES

SECTION 1.(a) Dollar Allotment. – For the 2017-2018 fiscal year, the Department of Public Instruction shall allot to each local school administrative unit a lump sum to provide compensation for the principals in that local school administrative unit at the discretion of each superintendent, in lieu of a salary schedule, as follows:

(1) These funds shall be allotted to each local school administrative unit based on the average total salary paid to a principal from State funds in the 2016-2017 fiscal year, plus an additional seven percent (7%), and then multiplied by the number of principal positions in that local school administrative unit for the 2017-2018 fiscal year.

(2) Notwithstanding subdivision (1) of this subsection, the following additional criteria shall apply:

a. The Department of Public Instruction shall allot sufficient additional funds to each local school administrative unit to ensure that any principal who contracted with a local school administrative unit in the 2016-2017 fiscal year and who continues in that contract in the 2017-2018 fiscal year shall receive at least as much as the principal earned under Section 9.2 of S.L. 2016-94, the 2016-2017 School-Based Administrator Salary Schedule.

b. The superintendent of each local school administrative unit shall compensate any principal described in sub-subdivision a. of this subdivision at least as much as the principal earned under Section 9.2 of S.L. 2016-94, the 2016-2017 School-Based Administrator Salary Schedule.

SECTION 1.(b) Notwithstanding G.S. 143C-5-2, there is appropriated from the Education Lottery Fund to the Department of Public Instruction the sum of thirteen million seven



1 hundred seventy-one thousand six hundred fifty-two dollars (\$13,771,652) in recurring funds for
2 the 2017-2018 fiscal year to provide a dollar allotment for principals in accordance with this
3 section.
4

5 **PART II. PRINCIPAL BONUS PROGRAM**

6 **SECTION 2.(a)** The Department of Public Instruction shall allot a nonrecurring bonus
7 of two thousand six hundred dollars (\$2,600) to all principals working in the 2017-2018 school
8 year. Notwithstanding G.S. 135-1(7a), the bonuses awarded in accordance with this subsection are
9 not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State
10 Employees' Retirement System.

11 **SECTION 2.(b)** Article 19 of Chapter 115C of the General Statutes is amended by
12 adding a new section to read:

13 **"§ 115C-285.5. Principal Bonus Program.**

14 (a) Program Established; Criteria. – The State Board of Education shall establish the
15 Principal Bonus Program (Program) to reward principal performance occurring over the course of
16 a year (the performance year), beginning with performance from the 2017-2018 school year, by
17 providing bonuses in the subsequent fiscal year (the payment year), beginning with the 2018-2019
18 fiscal year. Under the Program, a principal employed by a local board of education of a local
19 school administrative unit that is eligible to receive supplemental low-wealth funding from the
20 State Board of Education may receive in the payment year up to five, total, one-time, annual
21 bonuses of one thousand dollars (\$1,000), subject to the following additional criteria:

22 (1) At the discretion of the superintendent of the local school administrative unit, a
23 principal may receive bonuses in the payment year for any of the following
24 achievements occurring in the performance year:

25 a. Exhibiting strong leadership.

26 b. Improving the learning environment, including maintaining discipline in
27 the school.

28 c. Creating a positive community impression of the school, including
29 maintaining high morale at the school.

30 d. Improving the physical environment at the school, including the
31 appearance of the school.

32 (2) A principal shall receive a bonus in the payment year if the principal's school
33 has been designated by the State Board under G.S. 115C-83.15(f) as exceeding
34 expected growth in the performance year.

35 (b) Reporting. – No later than August 1 of each payment year, each local board of
36 education shall report to the Department of Public Instruction on the decisions made regarding
37 payment of the bonuses. This report shall include the following information:

38 (1) A list of principals in the local school administrative unit who earned one or
39 more bonuses.

40 (2) The name of the school in which each principal earning one or more bonuses
41 worked during the performance year.

42 (3) The number and category of bonuses, as defined in subdivisions (1) and (2) of
43 subsection (a) of this section, earned by each principal in the local school
44 administrative unit.

45 (4) The standards used by the superintendent of the local school administrative unit
46 to determine that a principal was entitled to a bonus under subdivision (1) of
47 subsection (a) of this section.

48 The Department of Public Instruction shall report this information to the Joint Legislative
49 Education Oversight Committee and the Fiscal Research Division no later than October 31 of each
50 payment year.

1 (c) Disbursement of Funds; Retirement Status. – Beginning with the 2018-2019 fiscal
2 year, the Department of Public Instruction shall allot funds to the local school administrative units
3 based on the information it receives pursuant to subsection (b) of this section. The bonuses related
4 to these funds shall be paid no later than October 31 of each year. Notwithstanding
5 G.S. 135-1(7a), the bonuses awarded in accordance with this section are not compensation under
6 Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement
7 System."

8 **SECTION 2.(c)** Notwithstanding G.S. 143C-5-2, there is appropriated from the
9 Education Lottery Fund to the Department of Public Instruction the sum of six million seven
10 hundred thousand dollars (\$6,700,000) in recurring funds for the 2017-2018 fiscal year to provide
11 bonuses to principals in accordance with this section.
12

13 **PART III. ASSISTANT PRINCIPAL SALARIES**

14 **SECTION 3.(a)** For the 2017-2018 fiscal year, assistant principals shall receive a
15 monthly salary based on the salary schedule for teachers who are classified as "A" teachers plus an
16 additional thirteen percent (13%). Years of experience for an assistant principal on the salary
17 schedule shall be measured by the total number of years the assistant principal has spent as a
18 teacher, an assistant principal, or both. For purposes of this section, an administrator with a
19 one-year provisional assistant principal's certificate shall be considered equivalent to an assistant
20 principal.

21 **SECTION 3.(b)** An assistant principal shall continue to receive any additional
22 State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000 school
23 years for improvement in student performance or maintaining a safe and orderly school.

24 **SECTION 3.(c)** Longevity pay for assistant principals shall be as provided for State
25 employees under the North Carolina Human Resources Act.

26 **SECTION 3.(d)** Assistant principals with certification based on academic preparation
27 at the six-year degree level shall be paid a salary supplement of one hundred twenty-six dollars
28 (\$126.00) per month and at the doctoral degree level shall be paid a salary supplement of two
29 hundred fifty-three dollars (\$253.00) per month.

30 **SECTION 3.(e)** Participants in an approved full-time master's in-school
31 administration program shall receive up to a 10-month stipend at the beginning salary of an
32 assistant principal during the internship period of the master's program. The stipend shall not
33 exceed the difference between the beginning salary of an assistant principal plus the cost of
34 tuition, fees, and books and any fellowship funds received by the intern as a full-time student,
35 including awards of the Principal Fellows Program. The Principal Fellows Program or the school
36 of education where the intern participates in a full-time master's in-school administration program
37 shall supply the Department of Public Instruction with certification of eligible full-time interns.

38 **SECTION 3.(f)** Notwithstanding subsection (a) of this section, an assistant principal
39 shall receive in the 2017-2018 fiscal year at least as much as the assistant principal earned under
40 Section 9.2 of S.L. 2016-94, the 2016-2017 School-Based Administrator Salary Schedule.

41 **SECTION 3.(g)** Notwithstanding G.S. 143C-5-2, there is appropriated from the
42 Education Lottery Fund to the Department of Public Instruction the sum of four million one
43 hundred thirty-five thousand one hundred thirty-seven dollars (\$4,135,137) in recurring funds for
44 the 2017-2018 fiscal year to improve and raise the assistant principal pay in accordance with this
45 section.
46

47 **PART IV. PUBLIC SCHOOL CAPITAL FUND**

48 **SECTION 4.(a)** There is created the Needs-Based Public School Capital Fund to be
49 administered by the Superintendent of Public Instruction. The Fund shall be used to award grants
50 to counties designated as a development tier one area or a development tier two area, as defined by
51 G.S. 143B-437.08, to assist with their critical public school building capital needs. The

1 Superintendent of Public Instruction shall award grants to counties in accordance with the
2 following priorities:

- 3 (1) Counties designated as development tier one areas.
- 4 (2) Counties with greater need and less ability to generate sales tax and property
5 tax revenue.
- 6 (3) Counties with a high debt-to-tax revenue ratio.
- 7 (4) The extent to which a project will address critical deficiencies in adequately
8 serving the current and future student population.

9 **SECTION 4.(b)** Grant funds awarded under this section shall be subject to a matching
10 requirement from the recipient county as follows:

- 11 (1) For a county designated as a development tier one area, the grant shall not
12 exceed two dollars (\$2.00) in grant funds for every one dollar (\$1.00) provided
13 by the county.
- 14 (2) For a county designated as a development tier two area, the grant shall not
15 exceed one dollar (\$1.00) for every one dollar (\$1.00) provided by the county.

16 The total amount awarded to a single county in a fiscal year shall not exceed ten
17 million dollars (\$10,000,000). The total aggregate amount awarded from the Fund in a fiscal year
18 shall not exceed one hundred million dollars (\$100,000,000). Grant funds shall be used for new
19 capital projects only. Grant funds shall not be used for real property acquisition or for operational
20 lease agreements.

21 **SECTION 4.(c)** On or before April 1 of each year, a grant recipient shall submit to the
22 Superintendent of Public Instruction an annual report for the preceding year that describes the
23 progress of the project for which the grant was received. The grant recipient shall submit a final
24 report to the State Superintendent of Public Instruction within three months of the completion of
25 the project.

26 **SECTION 4.(d)** On or before May 1 of each year, the Superintendent of Public
27 Instruction shall submit a report to the Chairs of the Senate Appropriations Committee on
28 Education/Higher Education, the Chairs of the House Appropriations Committee on Education,
29 and the Fiscal Research Division. The report shall contain at least all of the following information
30 for the fiscal year:

- 31 (1) Number and description of projects awarded.
- 32 (2) Total cost of each project and amount supported by the Fund.
- 33 (3) Projections for local school administrative unit capital needs for the next 30
34 years, based upon present conditions and estimated demographic changes.
- 35 (4) Any legislative recommendations for improving the Fund program.

36 **SECTION 4.(e)** Notwithstanding G.S. 143C-5-2, there is appropriated from the
37 Education Lottery Fund to the Needs-Based Public School Capital Fund the sum of seventy-five
38 million dollars (\$75,000,000) in recurring funds for the 2017-2018 fiscal year to be used to
39 administer the grant program established by this section.
40

41 **PART V. EDUCATION LOTTERY CHANGES**

42 **SECTION 5.(a)** G.S. 18C-162 reads as rewritten:

43 **"§ 18C-162. Allocation of revenues.**

44 (a) The Commission shall allocate revenues to the North Carolina State Lottery Fund in
45 order to increase and maximize the available revenues for education purposes, and to the extent
46 practicable, shall adhere to the following guidelines:

- 47 (1) At least fifty percent (50%) of the total annual revenues, as described in this
48 Chapter, shall be returned to the public in the form of prizes.
- 49 (2) At least thirty-five percent (35%) of the total annual revenues, as described in
50 this Chapter, shall be transferred as provided in G.S. 18C-164.

1 (3) No more than eight percent (8%) of the total annual revenues, as described in
2 this Chapter, shall be allocated for payment of expenses of the Lottery.
3 ~~Advertising expenses shall not exceed one percent (1%) of the total annual~~
4 ~~revenues.~~

5 (4) No more than seven percent (7%) of the face value of tickets or shares, as
6 described in this Chapter, shall be allocated for compensation paid to lottery
7 game retailers.

8 (a1) Advertising costs shall not exceed two percent (2%) of the total annual revenues, as
9 described in this Chapter.

10"

11 **SECTION 5.(b)** G.S. 18C-163(b) reads as rewritten:

12 "(b) Expenses of the lottery shall also include ~~a~~all of the following:

13 (1) A transfer of two million one hundred thousand dollars (\$2,100,000) annually
14 to the Department of Public Safety, Alcohol Law Enforcement Branch, for
15 gambling enforcement activities.

16 (2) Advertising costs."

17 **SECTION 5.(c)** G.S. 18C-164(e) reads as rewritten:

18 "(e) If the actual net revenues are less than the appropriation for that given year, then the
19 Governor ~~may~~shall transfer from the Education Lottery Reserve Fund an amount sufficient to
20 equal the appropriation by the General Assembly."

21

22 **PART VI. EFFECTIVE DATE**

23 **SECTION 6.** This act becomes effective July 1, 2017.